

Concept Paper

A Fund for National Parks in Bulgaria



ARD-Bulgaria
***Biodiversity Conservation &
Economic Growth
Project***
*Sponsored by
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1. Purpose

The purpose of this concept paper is to describe a FUND – a financial mechanism that is appropriate for the long-term funding of Bulgaria's National Parks, and over a longer term, Bulgaria's protected area network.

The intent of a National Parks Fund (NPF) is the development of a funding mechanism that can ensure ongoing financial support for the capital development and projects associated with a system of protected areas in the country. Specifically, the NPF would continue to support the capital investment, park development projects, infrastructure, and tourism development grants that are presently supported, in part, by the Bulgarian National Environment Protection Fund.

The development of a National Park Fund will take place in phases:

Phase 1 would focus on securing on-going financial support for Bulgaria's three National Parks. This phase would test the organization and management of the new Fund, and based on its performance and impact, would expand.

Phase 2 would see the purpose and scope of the Fund enlarged to address other protected areas, including those administered and managed by the Ministry of Agriculture and Forests (or Nature Parks), as well as the system of protected areas managed by the Regional Environment Inspectorates, local municipalities, and eventually, even environmental NGOs.

1.1 Background and Context

Pirin, Rila and Central Balkan National Parks became Directorates of the Ministry of Environment and Waters (MOEW), under the Protected Areas Act, of December 1998. Operations and maintenance costs for these new Directorates were carried by the National Environment Protection Fund until FY 2000. In 2002, national park operations and maintenance costs for the three national parks are wholly part of the national budget allocation to the MOEW.

Capital investments and infrastructure costs to date, have largely been paid for by the National Environment Protection Fund, bilateral donors, (including USAID) and the National Trust EcoFund.

Capital development includes funding for projects described by each Directorate. In the case of Rila and Central Balkan National Parks, these are described in the management plans for both Parks. Projects are administered and managed by their respective National Parks' administrations.¹ These projects are reviewed and approved on an annual basis by the National Nature Protection Service, and defended as part of the National Parks application for funding to the National Environment Protection Fund.

The NEPF

The National Environment Protection Fund (NEPF) is provided for under national environmental legislation. A new environment protection act (with similar provision for a NEPF) is presently being developed for review and approval in parliament.

The National Environment Protection Fund is funded from taxes, levies, fines, and penalties paid in accordance with compliance on matters of environmental protection. The Fund is supervised by the Ministry of Environment and Waters, and managed by a Board of Directors, on which the Minister of the MOEW, serves as Chairman. The Board is assisted by an Executive Bureau.

The Board of Directors is "at least" 11 members, with the most significant representation from agencies parallel to the MOEW. The Board guides both the criteria and award of funds according to policy guidance provided through the second National Environmental Strategy (2001-2006), AND Government policy, annual operations plans, urgent ecological problems, and advice from a host of local authorities and councils operating under the jurisdiction of the Council of Ministers. Board meetings are required at least every two months.

The NEPF is deposited with the Bulgarian National Bank. Fund dispersal can be in the form of grants and loans. Funds can be invested in state treasury bonds, and additional revenue can accrue from liquidation and interest paid on loans granted by the Fund.

¹ 10 year management plans for Rila and Central Balkan National Parks were developed with funding support from USAID under the GEF and BCEG Projects. These two management plans were approved by the Council of Ministers in June of 2001. Pirin National Park Management Plan is being developed with support from the Swiss Development Corporation, through the Bulgarian-Swiss Biodiversity Conservation Project.

The three national parks have been allocated approximately 1 million BGL for the last two consecutive years (2000 and 2001). Not all this money has been spent, and the balance has been returned to the Fund.

The NEPFund has allocated between 60 and 70 million BGL, *each year*, for the last five years.

1.2 More Recent Context

As of the 2002 Financial Year, the NEPF will no longer be operated as an extra-budgetary fund. Rather, the fund will form a regular part of the State budget, and be allocated according to annual accounting and reporting procedures. While the NEPF is retained, its use will more closely parallel government expenditure planning at the beginning of each fiscal year. It is expected that the Fund will lose any discretionary aspect. This change in NEPF operation is part of the country's efforts to comply with EU requirements for fiscal management and accountability.

Clearly, there are abundant demands on the NEPFund in support of all aspects of the National Environmental Strategy. The National Parks are only one of the demands made of the Fund, leave alone the broader needs of biodiversity conservation in other protected areas, and in the country.

National Parks are again expected to receive approximately 1 million BGL for the next financial year (FY 2002). Future allocations of funds to National Parks are designed to be maintained at this level, but actual allocations of funds from within the NEPF are not yet confirmed.

2. Characteristics of a National Parks Fund (NPF)

2.1. Focus

This proposal is aimed at developing a **new** fund – a fund dedicated to a stable source of money, initially for National Parks, and then for other protected area infrastructure, projects, and development.

Money for this new Fund is in addition to the operational expenses of each Park. Operational expenses are considered an annual budgetary responsibility of the Government of Bulgaria (GOB). Present funding levels for operational expenses are more than justified given recent evidence regarding the commercial and personal financial value of NTNR harvesting entering the economy, from National Park territories.

Examples of park projects that could be supported by a NPF include, but are not limited to:

- Limiting impacts associated with tourism;
- Visitor access control and management;
- Park signage;

- Visitor infrastructure – shelters, camp sites, sanitary facilities, waste management, energy efficiency, etc;
- Public awareness campaigns and materials;
- Research and long-term biodiversity monitoring;
- Education and interpretation materials; and,
- Human Resource Development (staff training for rangers and park managers)

In addition, the National Parks Fund could also be used to provide financial granting/lending assistance to eco-tourism operators that provide appropriate goods and services within the Parks, from bases within their border communities. Such activities might include:

- Specialized wildlife observation,
- Specialized trekking and mountaineering activities;
- Horseback riding and mountain biking;
- Camping and campsite management;
- Interpretation and Education Courses
- Specialized mountain training courses

The NPF should provide assistance in four forms:

- (1) grants to park directorates;
- (2) payment to private contractors for goods and services requested by National Parks;
- (3) low or no-interest loans to private sector business and operators whose business is determined to be directly related to (and to benefit) Bulgarian's National Parks.
- (4) matching grants to villages, associations, municipalities, NGOs, who can match, in cash and in-kind, a grant from the NPF.

After completion of a successful first phase, this program could be expanded to cover other protected areas and businesses directly related to Bulgaria's protected area network.

2.2 Advantages of a National Parks Fund

1. A NPF is a more attractive mechanism for international donors and private sector sources than pledging monies to a national government fund;
2. The National Parks Fund represents a strong donor option for financially supporting the national parks without creating new projects to support "in-situ" biodiversity conservation through protected areas;
3. Provides a direct incentive for National Parks to develop and use innovative commissions for goods, services, and facilities that directly benefit national parks management actions and multi-year plans.
4. Reinforces the use of 10 year management plans as tools for attracting private sector investments;
5. There are broader opportunities to generate funds through the NPF, thus increasing the corpus of the Fund, and providing more funds for national parks management activities;
6. As an independently managed Fund, there is greater likelihood that the NPF will be able to fundraise, again increasing the Fund's corpus (preliminary endowment).
7. Funds within the NPF might be used to leverage additional EU funding programs and opportunities – thereby helping to meet Bulgarian obligations to EU programs.

8. The preliminary success of the National Parks Fund opens up the opportunities for an extension of the Fund into support for other national protected areas – and the possible expansion of the fund into a ***Protected Areas Fund - Phase II***.

2.3 Establishment and Management

The Fund should be an independent, not-for-profit, endowment, with an independent management structure.

Rather than create this management structure from scratch, we propose to employ the management structure and legal mandate of the **National Trust EcoFund (NTEF)** as an effective alternative to development of a new management mechanism. This is considered more timely, and less time-consuming and costly than development of a new funding mechanism.

The National Trust EcoFund is an established Fund management mechanism already endorsed and prescribed within the existing (and draft) Environment Protection Acts. The composition of the Managing Board and existing appointment of an Executive Bureau (and Director) is already an approved management system. The EcoFund possesses the demonstrated capacity, and abilities to manage the NPF along the lines described in this concept paper.

The NTEF have demonstrated satisfactory management of more than 20 million SFr of debt-swap funds for nature (of Swiss origin). Of equal importance, they have managed the funds for the Danish Development Agency (for municipal thermal plant renovation) and World Bank (for Pirdop, environmental clean up).

Preliminary discussions within the NTEF indicate that they could open and operate the NPF within their existing charter, with only minor modifications. There are no immediate impediments to establishment of the NPF or legal restrictions that must be addressed.

The NPF could represent a separate account within the NTEF, and its management overheads absorbed as either a percentage of fixed expenditure, or a maximum amount per year, or both.

A specifically appointed Fund management mechanism, its functions, and an advisory council could be accommodated within the present charter of the NTEF. In fact, there is a precedent for this in the operation and management of the Pirdop Project (see box).

ERPP Pirdop - Project Organization and Management

The Environmental Remediation Pilot Project (ERPP) in Pirdop is a USD 25 million Clean-up Program, financed by:

- The World Bank - USD 16 million (loan);
- National Trust Ecofund - USD 3,3 million (grant);
- Government of Bulgaria - USD 5,7 million.

The Project is monitored on behalf of the Government by a Supervisory Committee, constituted upon Resolution No2 from January 1998, of the Council of Ministers. The Supervisory Committee consists of representatives of: Ministry of Environment and Water (Chair), Ministry of Finance, Ministry of Economy, Privatization Agency, Mayor of Pirdop Municipality, Mayor of Zlatitsa Municipality.

Upon the Agency Agreement between the Republic of Bulgaria and the National Trust Ecofund, the day-to-day project monitoring and coordination among all parties involved, is performed by the Executive Bureau of the National Trust Ecofund (NTEF), through a Project Coordination Team (PCT). The Agency Agreement was approved, prior to signing, by the Board of Directors of NTEF. The PCT performs its duties according to the requirements of the World Bank and the Government of Bulgaria. The PCT reports directly to the Supervisory Committee. The Agency functions of NTEF Project Coordination Team include:

1. **Examination** and preparation of expertise on the proposed **technical designs**. Coordination of the process for technical design approval;
2. **Examination** and **approval** of the **technical specifications**;
3. **Examination** and **approval** of the **bidding documents**, prepared by UMPC;
4. **Control** on the observation of the **bidding procedures**;
5. Examination and approval of draft contracts with contractors, suppliers and consultants;
6. Examination, **control** and approval of the **completed works**, supplies and services, including on-site examinations;
7. Detailed **control** on the withdrawals from the **Escrow account** and the disbursements of UMPC on the implementation of the project;
8. Preparation and presentation of three-month progress reports to the Oversight Committee;
9. Preparation and presentation of six-month progress reports which are subject to approval by the Oversight Committee and are presented to the World Bank, in accordance with the Loan Agreement;
10. Reporting the project implementation and the problems, emerging in the process of implementation;
11. **Preparation** and sending to the **World Bank** of **requests for withdrawal** of funds from the WB Loan.

Advantages of the NTEF

There are several distinct advantages of establishing and managing the NPF within the framework of the National Trust EcoFund:

- According to the prevailing and draft Environment Protection Act, the NTEF is one of the national sources for financing environmental protection projects in Bulgaria;
- As part of its mandate, the NTEF already exists to finance investment projects for biodiversity conservation, and on the territory of National Parks. Indeed, this last year saw their first biodiversity conservation investment on the territory of the Central Balkan National Park. This has been followed-up by additional projects at the Important Bird Areas and wetlands – Lake Atanasovsko and Lake Durankulashko;

- There may exist opportunities for partial capitalization of the NPF from within NTEF sources;
- Management, training, and office establishment costs of the NPF are largely absorbed already within the existing structure and function of the Executive Bureau of the NTEF.
- The operations and management of a NPF within the NTEF can be easily addressed through an Agency Agreement between NTEF and donors/contributors to NPF and, eventually, minor amendments to the charter of the NTEF.
- Annual reports, performance metrics, and international accounting standards are already functions of the NTEF. Their operations already meet international donor requirements.
- The management structure and performance of the NTEF, to date, appear to offer the most opportunities for successful management of a NPF. The NTEF also offers creative alternatives and flexibility for attracting international/national private and donor funding.

2.4 Governance and Operations of the National Parks Fund

The Fund will be supervised by a Governing Committee, and operated through the National Trust EcoFund.

- The Governing Committee of the NPF will be constituted and operate with the approval of the Board of Directors of NTEF. The NTEF Board of Directors shall be informed of all activities of the NPF as part of its regular reporting, and perform due diligence.
- The Executive Bureau of the NTEF shall serve as the managers for the day-to-day operations of the NPF, with modifications to staffing as appropriate, and necessary.
- The NTEF Board of Directors Chairperson, and the Chairperson of the Governing Committee of the NPF, will represent the collective decisions of their respective bodies. In this respect they shall both appoint and approve the Director of the Executive Bureau.
- The Governing Committee of the NPF shall include donors (contributors) that provide 10% or more of monies expended in each year, and a representative of each of the Park Directorates, as well as a representative of the Ministry of Environment and Waters.
- The Governing Committee of the NPF will review and approve applications for funding according to predetermined priorities, procedures, and formats.
- The Fund should organize an *Advisory Council* composed of representatives of municipalities surrounding the parks;
- The Advisory Council should also include representatives of private-sector businesses and NGOs associated with the National Parks.

- The Advisory Council shall have no voting powers, but rather shall serve to provide feedback on the Fund and the management/investment decisions of the Governing Committee.

The NPF shall have specific expenditure priorities identified in a charter/statutes. No funds shall be allocated for other purposes until the NPFund fulfills those basic priorities on an annual basis.

2.5. Funding and Financial Management Issues

The NPF should be able to receive monies from national and international sources, including but not limited to:

- the National Environmental Protection Fund;
- the National Trust EcoFund;
- multi-lateral and bi-lateral donors;
- foreign, private foundations;
- interest on loans
- businesses and individuals
- The Fund should be capable of administering monies received as monies that pass-through the Fund and are managed by it, or as endowments. The total administrative expense of the Fund should not exceed 15% of monies allocated in each fiscal year. This depends however, on the level of supervision the Fund is asked to perform.
- The NPF should not require a specific size in order to operate, but the financial objective of the Fund is to achieve a sufficient size to guarantee that the capital costs and project development needs of the National Parks, are met on a consistent basis.
- The target for minimum **annual** grants and loans to the three National Parks from the Fund is recommended to be **one million BGL** for the first phase of its operations
- The endowment target to ensure this annual allocation is **20 million BGL**. This figure aims at maintaining the one million BGL as an annual pay-out to national parks. If 5% of the original endowment is paid out annually, this assumes an endowment of at least 20 million BGL.
- Funds from the corpus (original endowment) should be available for investment. Generally the funds should be treated very long term as an investment strategy.
- If possible, the Fund should be allowed to be invested in western European indexes and bond markets. This is in keeping with the spirit of accession to the EU. If funds are managed for investment purposes, then careful consideration should be given to a third party professional money manager. Typically this is calculated as 1% of total funds under management.
- The Fund should consider a percentage allocation of monies for fundraising – and efforts should be made by the Fund's managers to increase the endowment

of the Fund. This would be an important part of Phase 1 of the Funds operation, as well as a benchmark against which Fund managers would be evaluated.

- Eventually, the Fund should be capable of receiving funds generated by the protected areas as a result of commissions that generate cash income.

2.6. Performance Requirements

The Fund should be capable of meeting administrative and auditing norms for each donor.

- The fund should provide specific performance metrics for grant and loan recipients, related to: a) project implementation milestones, and b) environmental impact guidelines.
- The Fund should develop performance metrics for achieving its own overall objective of providing effective assistance to Bulgarian National Parks, as a priority, during Phase 1. Progress towards these objectives should be measured on an annual basis, made available to donors and the public in the form of an annual report (hard copy and on the internet), and should be independently verified.

3. Issues and Actions

A National Parks Fund must be realized in relatively short period of time. International donor strategies for support to national parks and biodiversity conservation are presently examining new ways to finance long-term conservation, and to disengage from more direct project activities.

There are at least three, major, international donors to biodiversity conservation in Bulgaria who could be interested in supporting such a mechanism. They are the United States (through USAID), the Swiss Government, through the Swiss International Development Agency, and The United Nations Development Program, possibly through the Global Environment Facility. Other interested donors, such as the French, Government of Monaco, and opportunities through the EU – Life Program, could be accommodated as they arise.

In order to capture successfully the interests and funding commitments of donors to a NPF, the GOB will need to demonstrate a commitment soon. To establish the NPF and attract significant donor and private sector support, we recommend an initial capitalization from the GOB, through the NEPF, between 10-15 million BGL. A GOB contribution of this proportion would be a compelling argument for matching funds from the international community and private sources. A similar amount should be matched simultaneously by the donor community.

In order to catalyze the development of this Fund, the ARD-BCEG Project has conducted preliminary discussion with relevant GOB authorities. They have approved this concept. The Project is now prepared to:

1. Determine the interest of Donors and to facilitate the discussions between the GOB and donors regarding the NPF's establishment and capitalization;
2. Liaise with the Executive Bureau of the NTEF to develop the tools and procedures to incorporate the NPF within the EcoFund;
3. Finance the preliminary stages of the NPF's establishment, including development of operational criteria, management procedures and structures, and statutes, that support the Fund;
4. Provide expert international technical assistance to develop the dimensions, capitalization/investment strategy, and operationalization of the NPF.

We expect the conditions for a **National Parks Fund** will be developed promptly, resulting in establishment of the Fund by October 2002.

Sofia, Bulgaria
January 22, 2002

The Biodiversity Conservation and Economic Growth (BCEG) Project is funded by the United States Agency for International Development, (USAID), as part of its strategic support to the Republic of Bulgaria. The Project is sponsored by USAID in conjunction with the Government of Bulgaria – the Ministry of Environment and Waters (MOEW). The Project is governed by a Memorandum of Understanding (MOU) between the two governments, and its implementation covers the period: May 2000 – October 2002.

This Project is a logical evolution of earlier USAID assistance to biodiversity conservation in the country. It follows some 10 years of assessment, technical assistance and financing of Bulgaria's biodiversity conservation strategic development, new protected areas legislation, and new national park institutions. The Project is designed to capitalize on the achievements of the Bulgaria Global Environmental Facility (GEF) Biodiversity Project (implemented during the period June 1995-April 2000), and builds on lessons learned.

The BCEG Project addresses six specific contract themes known as "contract result packages". The BCEG Project includes the finalization and implementation of two national park management plans, the development of a new management plan for Rila Monastery Nature Park. It assists in the development of financial mechanisms and strategies to ensure the solvency of national parks. The Project pilots economic growth activities with select target groups around two Bulgarian national parks. And it continues to build on the principles of strong public information and awareness as stepping stones for informed public engagement and promotion of biodiversity conservation and protected area management activities.

This Project is issued as a Task Order (Contract Number LAG-I-00-99-00013-00) under the USAID Global Biodiversity and Forestry Indefinite Quantities Contract (IQC); and is implemented on behalf of USAID by Associates in Rural Development, (ARD) Inc., of Burlington, Vermont, USA.

The Project is implemented through a Project Management Unit (PMU) based in Sofia, and includes a Team Leader, three Bulgarian technical specialists, and support staff. Project activities are coordinated through two mechanisms –

- (a) Project Counterpart Team – PMU staff and MOEW/NNPS counterparts
- (b) Project Coordination Group – that serves as a steering committee for Project planning and monitors implementation. This consists of the National Nature Protection Service of the MOEW, and national park directors, the PMU and USAID.

The Project is largely implemented through the Directorates for Rila and Central Balkan National Parks. Additional technical assistance is provided by Bulgarian and international consultants, and is based on specific terms of reference.